

Financial *Status Report*

March 31, 2018

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through March 31, 2018. It compares revenues and expenditures for the first nine months of Fiscal Year 2017-18 and Fiscal Year 2016-17. In addition, the financial status of the Water and Wastewater Enterprises are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles.

San Diego County Economic Indicators

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

February 2018



0.70%



Local Stock Prices

0.58%



Local Consumer Confidence

0.41%

Index of Leading Economic Indicators



0.35%

Building Permits



1.27%

Help Wanted Advertising



1.69%

Unemployment Insurance



1.30%

National Economy

University of San Diego Index of Leading Economic Indicators Report:

The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County rose 0.7 percent in February. The upward move was led by strong gains in initial claims for unemployment insurance, help wanted advertising, and the outlook for the national economy. These were supported by moderate increases in building permits and consumer confidence. The only thing that prevented a third consecutive month with all components up was a decline in local stock prices.

With February's increase, the USD Index has now advanced or remained unchanged for 16 consecutive months. For the second month in a row, it has hit a new all-time high. As a result, there is no change from the previously reported outlook for the local economy: positive growth in the economy at least through the end of 2018. While the short-term continues to look bright, both the local and national economies have to deal with the long-term problem of shrinking employment opportunities due to improvements in technology. The internet has reduced the need for employees in banks, travel agencies, retailing, and other industries. Automation has already had a big impact on manufacturing employment and may impact industries such as restaurants, retailing, and transportation. The big long-term question is whether the improvements in technology will lead to opportunities elsewhere as has been the case in the past. When wagons were replaced by trucks, the former wagon drivers could go drive trucks. But what will truck drivers do if driverless vehicle technology is perfected?

Residential units authorized by building permits continued to advance, although not at the same pace as the last two months. The USD Index uses a moving average to smooth month-to-month fluctuations and capture the trend in a component, so the big gains in December and January still contributed significantly to the up move in February. Both labor market variables were up sharply. Initial claims for unemployment insurance had its biggest gain in almost three years (since March 2015). On the other side of the labor market, help wanted advertising was up for the fourth month in a row and up sharply for the third month in a row. The net result was that the seasonally adjusted unemployment rate for San Diego County was 3.5 percent in February, which was unchanged from January's rate but down from the 4.4 percent rate in February 2017. Local stock prices fell for the first time since last August. February saw great volatility in the stock market, with the Dow Jones Industrial Average falling more than 1,000 points in a day twice during the month. This affected local stocks, even though most San Diego companies are smaller ones that trade in the over-the-counter market. Consumer confidence continues to chug along, registering its 20th consecutive monthly increase. The outlook for the national economy remains positive, with the national Index of Leading Economic Indicators up for the 17th time in 18 months. While the national labor market remains strong, GDP growth continues to lag behind historic standards. For 2017, real GDP increased by 2.3 percent, which is higher than the 1.6 percent growth of 2016 but well below the 3.5 percent average growth rate from the post-World War II period to the start of the Great Recession.¹

General Fund Revenues



Property Taxes (\$40.6 million) – In December, the city began to see a much larger flow of property tax revenues. Property taxes reflect an 11 percent increase over Fiscal Year 2016-17. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have increased by 5.36 percent for Fiscal Year 2017-18. This is the fifth year in a row that Carlsbad's assessed values have increased from year to year, and in line with assessed value increases with other cities in San Diego County for the year. This reflects

continued improvement in the housing market and new construction. The increase in this year's assessed values

¹ University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Up in February*, March 29, 2018.

was due to a large increase in the assessed values of industrial properties in the city; the city saw smaller increases in residential and commercial property values for the year. This is the third year in a row since, the Great Recession ended, that the city saw increases in assessed values in all three property components (residential, commercial and industrial).

The primary reasons that property taxes for the first nine months of the fiscal year have increased by 11 percent as compared to the prior fiscal year are:

- Current taxes are up by \$3.9 million or 12 percent due to an increase in assessed values and a timing difference in the payment of property taxes. Due to the recent federally approved tax plan, some people in California paid for their first and second installments earlier than usual in order to take advantage of the prior tax law.
- Aircraft taxes are down by \$278,000 due to timing differences.
- Supplemental taxes are up by \$175,000 due to an increase in property resales.
- Payments for previous years' taxes are up by \$96,000 due to an increase in the collection of past due tax bills.
- Unitary taxes are up by \$27,000 due to timing differences and an increase in assessed values.
- Property taxes received from the former redevelopment area (both the Village and South Coastal Carlsbad areas) are up by \$92,000 due to an increase in assessed values in the two project areas.



Sales Taxes (\$27.7 million) – For the first nine months of the fiscal year, sales tax revenues are \$1.7 million (or seven percent) higher than the same time period in the previous fiscal year. Sales tax revenues for the year represent the actual sales tax receipts for the second, third and fourth calendar quarters of 2017 (up 5.0 percent, 3.4 percent and 2.8 percent respectively) as well as the first advance of the city's first calendar quarter of 2018 sales tax revenues. Advances are based on prior year activity adjusted by either a positive or negative growth factor, and are not a true indicator of the current economy.

For sales occurring in the third calendar quarter of 2017 (the most recent data available), key gains were seen in restaurants, new auto sales, heavy industry, light industry, and department stores. During the same period, key declines were seen in miscellaneous retail, apparel stores, energy sales, and chemical products. The largest economic segments in the city continue to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 69 percent of the city's sales tax revenues.



Transient Occupancy Tax (\$17.5 million) – The city's third highest General Fund revenue source on an annual basis is Transient Occupancy Tax (TOT or hotel tax), estimated at \$22.2 million for the current fiscal year. A tax of 10 percent of the rent amount is collected on all occupancies less than 30 days (transient) in duration. TOT collected for the first nine months of the fiscal year reflect an increase of \$1.3 million, eight percent more than the previous year. Higher room rates and occupancy accounted for this positive variance. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of February 2018.

Currently, there are 4,381 hotel rooms, 668 timeshares and 185 registered short-term vacation rentals. The average occupancy of hotel rooms over the most recent 12 months has been 72 percent, two percentage points higher than last year's average at this time.



Development Related Revenues (\$4.1 million) – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a small increase for the first nine months of the fiscal year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities, such as plan checks and inspections. Engineering plan check fees are one of the first fees paid during the initial stages of development. Some of the activity in March included the State Street mixed use four story building and the LEGOLAND regional biofiltration and hydromodification facility.

One source of development related revenue is building permits, which are down six percent compared to last fiscal year. The decrease in building permit revenue is derived from the combination of an increase in the valuation of new construction, a decrease in residential permitting activity, and an increase in commercial/industrial permitting activity to date. The year-to-date valuation of new construction in the current fiscal year is \$339.5 million, while it was \$321.6 million in the previous fiscal year, a 5.55 percent increase. In March, Carlsbad issued building permits for 41 residential dwelling units, an increase from the 26 residential dwelling units permitted in February. In the northeast quadrant, building permits for 19 residential dwelling units were issued: seven single-family detached homes as part of Phases 12 and 13 at the Terraces, six condominiums as part of Phase 8 of Agave at the Preserve, and six condominiums as part of Phase 4 of Acacia at the Preserve, all at Robertson Ranch. In the northwest quadrant, building permits for 22 residential dwelling units were issued: two single-family detached homes as part of Phase 1 at Lanai II, four condominiums as part of Acacia Avenue Estates, 11 condominiums as part of the Grand Madison development, one single-family detached home and four second-dwelling units. For the current fiscal year, 312 residential permits have been issued, as compared to 621 permits issued during the same period last year.

During the month of March, two permits for commercial space were issued. One permit was issued for 75,191 square feet as part of the Pacific Vista Commerce Center and a second permit was issued for 9,457 square feet as part of the Grand Madison. Year-to-date, there has been 1,521,467 square feet of commercial/industrial permits issued, as compared to 432,017 square feet of commercial/industrial permits issued during the same period last year.



Business License Tax (\$3.9 million) – All entities doing business in the City of Carlsbad are required to have a valid business license. Business license revenue is estimated at \$5.1 million for the current fiscal year. Business license revenues are up \$1.1 million, or 42 percent, higher than the previous fiscal year. This is primarily due to a significant number of delinquent payments being made as well as timing differences as compared to the same period last year.

There are currently 9,849 licensed businesses operating within the city, 852 less than the prior year. The majority of taxed businesses (6,635 businesses) are located in Carlsbad, with 2,432 of these businesses home-based.



Income from Investments and Property (\$3.4 million) – For the first nine months of the fiscal year, income from investments and property is up \$447,000 compared to the previous fiscal year.

Interest income is up \$376,000 for the year due to the combination of a 5.5 percent decrease in the average daily cash balance combined with a 24.25 percent increase in the average yield on the portfolio for the year (an increase in the yield from 1.214 percent last fiscal year to 1.508 percent in the current fiscal year).

Income from property sales and rentals is up by \$71,000 for the year, primarily due an increase in facility and pool lane rentals, and the sale of city property at public auctions.



Franchise Taxes (\$2.3 million) – Franchise taxes are generated from public utility sources, such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Franchise tax revenue is estimated at \$5.5 million for the current fiscal year. Year-to-date franchise taxes are \$74,000 lower than the same period last year.

Cable television franchise revenues (Spectrum and AT&T) are down significantly by \$122,000 due to a decrease in the number of paid subscription services (premium video, equipment rental, on-demand, and programming services). An increase in trash collection revenue of \$74,000 is due to more commercial and residential accounts coming online from new development activity within the city. Additionally, revenue for the fiber optic antennae system is down \$26,000 due to a re-negotiation of the lease resulting in a delay of the monthly payments.

Approximately 43 percent of the total franchise tax revenue anticipated for the year will be collected from SDG&E during the month of April 2018.



Interdepartmental Charges (\$2.3 million) – Interdepartmental charges are \$156,000, or six percent, lower than last year. These charges are generated through engineering services charged to capital projects (down 17 percent, or \$122,000, due to recent staffing vacancies); reimbursed work from other funds (up \$11,000 due to timing differences); and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by

departments within the General Fund (down 2.9 percent, or \$45,000), the result of an updated cost allocation plan.



Recreation Fees (\$2.3 million) – Recreation fees are generated through instructional classes, camps, youth and adult sports, special events, parent participation preschool, senior programs, and various aquatic programs. Recreation revenues are down by five percent compared to last fiscal year at this time. As the year progresses, staff will continue to evaluate revenue trends and program life cycles to help monitor and improve program performance.



Ambulance Fees (\$1.9 million) – The city bills any individual who is transported in one of the city's ambulances. Through March 2018, receipts from ambulance fees are up \$70,000, or four percent, compared to last fiscal year. Fees collected should have been higher due to the large increase in the number of billable transported patients; however, there were less write-offs for uncollectable ambulance fees in the prior fiscal year. The number of billable

transported patients for the first nine months of Fiscal Year 2017-18 (4,028) versus Fiscal Year 2016-17 (3,544) has increased by 13.7 percent.



Other Revenue Sources (\$865,000) – Other revenue sources have decreased by \$56,000 and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, rights-of-way, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; and miscellaneous reimbursed expenses and refunds of prior year fees. The decrease

to date represents an increase in prior year fee refunds, a decrease in loss recovery reimbursements, and a decrease in administrative cost reimbursements received for managing developer contributions from developers. These decreases were partially offset by an increase in contributions for special studies.



Transfer Taxes (\$760,000) – When real property is sold, the County Assessor’s Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The city receives 50 percent of the transfer tax charged for sales within the City of Carlsbad. Year-to-date revenues have increased modestly, due to strong housing and industrial/commercial development throughout the city.



Other Charges or Fees (\$759,000) – Other charges or fees are generated through the sale of city documents, such as staff reports, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services, such as mutual aid response, mall police services, emergency response services, reports, etc. For the first nine months of the fiscal year, revenues are down by \$92,000 but

higher than the expected budget at this time of \$430,000. This decrease is due to a drop in fire inspection fees, mutual aid response, and false alarm fees.



Other Licenses and Permits (\$722,000) – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity. The decrease in revenues for the year is due to a reclassification of revenues that occurred during the implementation of the new permitting system (in November

2016). Some permitting activity that was previously reflected as other licenses and permits is now shown as building permits. Without this reclassification, other licenses and permits would have shown an increase for the year, while building permit revenues would have shown a larger decrease for the year.



Other Intergovernmental Revenues (\$665,000) – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$665,000 received this year are the solar rebates from the Center for Sustainable Energy (Alga Norte Park solar project), Police Officer Standard Training (POST) reimbursements, state mandated cost reimbursements, a library adult learning grant, Department of Justice vice/narcotics overtime reimbursements, a state

library grant to help maximize internet benefits for patrons, a San Diego Law Enforcement Foundation grant, a federal fire training grant, a grant from SDG&E to purchase heavy weather coats for the CERT program, a refund from the North County Dispatch for unspent replacement funds, and senior nutrition grants. The increase to date is a result of additional solar rebates received from the Center for Sustainable Energy as compared to the prior fiscal year.



Fines and Forfeitures (\$515,000) – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The decrease to date is due to a large drop in revenues derived from moving violations plus a smaller decrease in revenues received from miscellaneous city fines. These decreases were partially offset by additional code enforcement violation billings.



Homeowners’ Exemptions (\$172,000) – When property taxes are calculated on a particular parcel of property, the first \$7,000 of property value is excluded from the property tax calculation. The state then reimburses the city for this mandated exemption. This reimbursement is entitled Homeowners’ Exemption revenue and is shown under intergovernmental revenues.



Vehicle License Fees (\$60,000) – Although the city is no longer receiving vehicle license fee (VLF) revenues from the state, the revenues received in the current fiscal year represent a retroactive clean-up payment received by the city for prior fiscal years.

Expenditures

Total General Fund expenditures and encumbrances through the month of March 2018 are \$115.4 million, compared to \$128.6 million at the same time last year. This leaves \$65.1 million, or 36.1 percent, available through the fiscal year ending June 30, 2018. If funds were spent in the same proportion as the previous year, the General Fund would have 32.9 percent available. This difference is attributable to some very large transfers out of the General Fund that were done at this time last year. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at March 31, 2018 is 32.3 percent, slightly higher than the 31.6 percent available at March 31, 2017.

The adopted General Fund budget for Fiscal Year 2017-18 increased by \$4 million due to the following factors:

- Increased personnel costs:
 - \$2.8 million in additional salary costs associated with previously negotiated wage increases as well as the net addition of 9.0 full-time staff, 1.0 limited-term staff and 16.33 part-time staff (predominantly for expanded parks and recreation programs and facilities, and to assist with day-to-day operations)
 - \$400,000 in additional retirement costs due to PERS rate increases and higher salaries
 - Increased health insurance and workers' compensation rates
 - Part-time employee salary increases
- Increased maintenance and operations costs (increase of \$600,000):
 - General inflationary adjustments of two percent
 - Inflationary adjustments partially offset by one-time expenditures from the previous fiscal year
 - General decreases in the internal service charges
 - Increases in credit card fees, citywide training, legal professional services, public nuisance abatement costs, costs associated with the new permitting system, operating costs associated with several new park facilities, fire engine equipment and a chemical detox unit, and upgrades to the Safety Training Center audio visual equipment
- Decreased capital outlay costs of \$200,000
- Increased transfers out of the General Fund:
 - Increase in the annual transfer to the Infrastructure Replacement Fund and the transfer to the Lighting and Landscaping District Funds for medians and trees

Council Contingency

The City Council has allocated \$1.5 million out of the General Fund budget for unanticipated emergencies or unforeseen program needs. As of March 31, 2018, \$266,049 has been authorized out of the contingency account as shown in the chart below.

| CONTINGENCY ACCOUNT USE OF FUNDS | | | |
|--|---------------------------|------------|----------------------|
| EXPLANATION | AMOUNT | DATE | RESOLUTION NUMBER |
| ADOPTED BUDGET | \$1,500,000 | | |
| USES: | | | |
| Special Events Grant for In-kind Services for the Lancer Day Homecoming Parade | (\$676) | 10/31/2017 | City Manager |
| Community Spirit Grant for In-kind Services for the Veterans Day Remembrance | (126) | 12/13/2017 | City Manager |
| Community Spirit Grant for In-kind Services for the Carlsbad Christmas Bureau | (1,409) | 12/22/2017 | City Manager |
| Winning Teams Grant for the Carlsbad High School Lancers Dance Team | (4,503) | 01/17/2018 | City Manager |
| Membership in Sister Cities International | (1,000) | 01/23/2018 | 2018-008 |
| 2018 North Beach Lifeguard Program | (256,718) | 02/13/2018 | 2018-016 |
| Winning Teams Grant for the Valley Middle School Robotics Team | <u>(1,617)</u> | 03/20/2018 | City Manager |
| TOTAL USES | <u>(266,049)</u> | | |
| AVAILABLE BALANCE | <u>\$1,233,951</u> | | |

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

| GENERAL FUND REVENUE COMPARISON | | | | | |
|---|--------------------------------------|-------------------------------------|-------------------------------------|--|-------------------|
| | EXPECTED BUDGET AS OF 03/31/18 | ACTUAL FY 2017 AS OF 03/31/17 | ACTUAL FY 2018 AS OF 03/31/18 | CHANGE FROM YTD 2017 TO YTD 2018 | PERCENT CHANGE |
| TAXES | | | | | |
| PROPERTY TAX | \$37,996,289 | \$36,591,796 | \$40,645,942 | \$4,054,146 | 11% |
| SALES TAX | 26,255,684 | 25,975,435 | 27,701,235 | 1,725,800 | 7% |
| TRANSIENT OCCUPANCY TAX | 16,190,632 | 16,257,055 | 17,535,074 | 1,278,019 | 8% |
| FRANCHISE TAX | 2,421,642 | 2,404,194 | 2,329,863 | (74,331) | -3% |
| BUSINESS LICENSE TAX | 3,203,263 | 2,719,876 | 3,861,164 | 1,141,288 | 42% |
| TRANSFER TAX | 564,827 | 694,060 | 760,019 | 65,959 | 10% |
| TOTAL TAXES | 86,632,338 | 84,642,416 | 92,833,297 | 8,190,881 | 10% |
| INTERGOVERNMENTAL | | | | | |
| VEHICLE LICENSE FEES | 0 | 50,591 | 59,863 | 9,272 | 18% |
| HOMEOWNERS EXEMPTIONS | 174,496 | 174,099 | 172,251 | (1,848) | -1% |
| OTHER | 543,659 | 566,709 | 665,338 | 98,629 | 17% |
| TOTAL INTERGOVERNMENTAL | 718,155 | 791,399 | 897,452 | 106,053 | 13% |
| LICENSES AND PERMITS | | | | | |
| BUILDING PERMITS | 1,522,578 | 1,769,143 | 1,670,322 | (98,821) | -6% |
| OTHER LICENSES & PERMITS | 564,349 | 1,023,284 | 722,325 | (300,959) | -29% |
| TOTAL LICENSES & PERMITS | 2,086,927 | 2,792,427 | 2,392,647 | (399,780) | -14% |
| CHARGES FOR SERVICES | | | | | |
| PLANNING FEES | 460,695 | 700,992 | 595,395 | (105,597) | -15% |
| BUILDING DEPARTMENT FEES | 235,842 | 487,766 | 977,518 | 489,752 | 100% |
| ENGINEERING FEES | 559,625 | 966,383 | 849,704 | (116,679) | -12% |
| AMBULANCE FEES | 1,973,221 | 1,819,404 | 1,889,444 | 70,040 | 4% |
| RECREATION FEES | 2,382,947 | 2,372,737 | 2,261,799 | (110,938) | -5% |
| OTHER CHARGES OR FEES | 430,179 | 851,626 | 759,221 | (92,405) | -11% |
| TOTAL CHARGES FOR SERVICES | 6,042,510 | 7,198,908 | 7,333,081 | 134,173 | 2% |
| FINES AND FORFEITURES | 554,724 | 525,167 | 514,847 | (10,320) | -2% |
| INCOME FROM INVESTMENTS & PROPERTY | 2,974,322 | 2,963,774 | 3,410,760 | 446,986 | 15% |
| INTERDEPARTMENTAL CHARGES | 2,317,845 | 2,461,554 | 2,305,222 | (156,332) | -6% |
| OTHER REVENUE SOURCES | 903,970 | 920,383 | 864,552 | (55,831) | -6% |
| TRANSFERS IN | 184,400 | 10,000 | 185,900 | 175,900 | 1759% |
| TOTAL GENERAL FUND | \$102,415,192 | \$102,306,028 | \$110,737,758 | \$8,431,730 | 8% |
| (1) | | | | | |
| (1) Calculated General Fund revenues are 8.1% above estimates as of March 31, 2018. | | | | | |

| GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT | | | | |
|---|-------------------------------|-------------------------|----------------------|--------------------|
| DEPT DESCRIPTION | TOTAL BUDGET FY 2017-18 | AS OF 03/31/18 | | |
| | | AMOUNT COMMITTED (b) | AVAILABLE BALANCE | % AVAILABLE (c) |
| POLICY/LEADERSHIP GROUP | | | | |
| CITY COUNCIL | \$556,157 | \$325,462 | \$230,695 | 41.5% |
| CITY MANAGER | 2,925,256 | 1,854,889 | 1,070,367 | 36.6% |
| COMMUNITY OUTREACH AND ENGAGEMENT | 2,203,020 | 1,567,815 | 635,205 | 28.8% |
| CITY CLERK AND RECORDS MANAGEMENT | 1,130,029 | 689,478 | 440,551 | 39.0% |
| CITY ATTORNEY | 1,849,585 | 1,200,116 | 649,469 | 35.1% |
| CITY TREASURER | 265,779 | 190,391 | 75,388 | 28.4% |
| TOTAL POLICY/LEADERSHIP | 8,929,826 | 5,828,151 | 3,101,675 | 34.7% |
| ADMINISTRATIVE SERVICES | | | | |
| FINANCE | 5,750,580 | 3,628,194 | 2,122,386 | 36.9% |
| HUMAN RESOURCES | 4,234,568 | 2,751,769 | 1,482,799 | 35.0% |
| TOTAL INTERNAL SERVICES | 9,985,148 | 6,379,963 | 3,605,185 | 36.1% |
| PUBLIC SAFETY | | | | |
| POLICE | 39,170,529 | 27,062,670 | 12,107,859 | 30.9% |
| FIRE | 23,672,800 | 16,907,867 | 6,764,933 | 28.6% |
| TOTAL PUBLIC SAFETY | 62,843,329 | 43,970,537 | 18,872,792 | 30.0% |
| COMMUNITY SERVICES | | | | |
| COMMUNITY AND ECONOMIC DEVELOPMENT | 12,364,195 | 8,607,388 | 3,756,807 | 30.4% |
| HOUSING AND NEIGHBORHOOD SERVICES | 1,571,948 | 1,135,658 | 436,290 | 27.8% |
| LIBRARY AND CULTURAL ARTS | 14,286,970 | 9,014,750 | 5,272,220 | 36.9% |
| PARKS AND RECREATION | 18,617,237 | 13,093,092 | 5,524,145 | 29.7% |
| TOTAL COMMUNITY SERVICES | 46,840,350 | 31,850,888 | 14,989,462 | 32.0% |
| PUBLIC WORKS | | | | |
| PUBLIC WORKS ADMINISTRATION | 2,971,337 | 1,222,302 | 1,749,035 | 58.9% |
| ENVIRONMENTAL MANAGEMENT | 883,383 | 565,055 | 318,328 | 36.0% |
| GENERAL SERVICES | 10,399,807 | 6,909,865 | 3,489,942 | 33.6% |
| TRANSPORTATION | 7,746,486 | 5,230,062 | 2,516,424 | 32.5% |
| TOTAL PUBLIC WORKS | 22,001,013 | 13,927,284 | 8,073,729 | 36.7% |
| NON-DEPARTMENTAL & CONTINGENCY | | | | |
| OTHER NON-DEPARTMENTAL (a) | 16,151,505 | 960,974 | 15,190,531 | 94.1% |
| TRANSFERS OUT | 12,455,000 | 12,455,000 | 0 | 0.0% |
| CONTINGENCY | 1,233,951 | 0 | 1,233,951 | 100.0% |
| TOTAL NON-DEPT & CONTINGENCY | 29,840,456 | 13,415,974 | 16,424,482 | 55.0% |
| TOTAL GENERAL FUND | \$180,440,122 | \$115,372,797 | \$65,067,325 | 36.1% |
| (a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, and other items not attributed to a specific department. | | | | |
| (b) Total committed includes expenditures and encumbrances. | | | | |
| (c) Amount available would be 32.9% if funds were spent in the same proportion as the previous year. | | | | |

Water Enterprise

| WATER OPERATIONS FUND | | | | | |
|--|-----------------------|-----------------------|-----------------------|--|-------------------|
| MARCH 31, 2018 | | | | | |
| | BUDGET FY 2017-18 | YTD (*) 03/31/2017 | YTD (*) 03/31/2018 | CHANGE FROM YTD 2016-17 TO YTD 2017-18 | PERCENT CHANGE |
| REVENUES: | | | | | |
| WATER DELIVERY | \$ 35,300,000 | \$ 26,536,568 | \$ 31,111,953 | \$ 4,575,385 | 17.2% |
| INTEREST | 251,000 | 208,546 | 286,118 | 77,572 | 37.2% |
| MISC. SERVICE CHARGES | 296,000 | 223,419 | 239,484 | 16,065 | 7.2% |
| PROPERTY TAXES | 3,605,000 | 2,118,616 | 2,406,427 | 287,811 | 13.6% |
| FINES, FORFEITURES & PENALTIES | 260,000 | 194,323 | 230,331 | 36,008 | 18.5% |
| OTHER REVENUES | 648,000 | 1,096,063 | 481,097 | (614,966) | -56.1% |
| TOTAL OPERATING REVENUE | 40,360,000 | 30,377,535 | 34,755,410 | 4,377,875 | 14.4% |
| EXPENSES: | | | | | |
| STAFFING | 3,681,630 | 2,730,021 | 2,745,537 | 15,516 | 0.6% |
| INTERDEPARTMENTAL SERVICES | 2,243,082 | 1,673,292 | 1,630,269 | (43,023) | -2.6% |
| PURCHASED WATER | 22,800,000 | 14,714,991 | 17,867,238 | 3,152,247 | 21.4% |
| MWD/CWA FIXED CHARGES | 6,800,000 | 5,052,919 | 4,931,254 | (121,665) | -2.4% |
| OUTSIDE SERVICES/MAINTENANCE | 1,643,326 | 280,751 | 595,452 | 314,701 | 112.1% |
| DEPRECIATION/REPLACEMENT | 3,910,000 | 2,855,480 | 2,932,500 | 77,020 | 2.7% |
| MISCELLANEOUS EXPENSES | 1,136,641 | 662,590 | 771,239 | 108,649 | 16.4% |
| CAPITAL OUTLAY | 31,530 | 3,839 | 37,979 | 34,140 | 889.3% |
| TOTAL OPERATING EXPENSES | 42,246,209 | 27,973,883 | 31,511,468 | 3,537,585 | 12.6% |
| OPERATING INCOME/(LOSS) | \$ (1,886,209) | \$ 2,403,652 | \$ 3,243,942 | \$ 840,290 | 35.0% |
| (*) Adjusted to reflect timing differences for water purchases and depreciation. | | | | | |

Revenues



- The increase in water delivery revenues is the result of an average 2.5 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2018, coupled with a 15 percent increase in water sales during the first nine months of the fiscal year due to less restrictive water usage constraints.
- An 11.3 percent increase in the average cash balance combined with a 24.25 percent increase in the yield in the Treasurer's portfolio has led to higher interest earnings.
- The increase in miscellaneous service charges is primarily due to increases in new account charges and backflow testing revenues.
- The increase in property taxes are the result of an increase in assessed values and timing differences.
- The increase in fines and forfeitures is due primarily to an increase in late charge revenues.
- The decrease in other revenues is due to a prior year reimbursement from Poseidon related to third party consultant costs in connection with the construction of the desalinated water pipeline.

Expenses



- A 4.3 percent rate increase in the variable cost of water purchased from the San Diego County Water Authority (SDCWA) coupled with a 13 percent increase in the amount of water purchased, represent the primary drivers in this variance.
- Decreases in the calendar year 2017 SDCWA fixed charges have led to lower fixed charges.
- Increases in software services to support remote meter reading along with new State Water Resources Control Board Public Water System fees have led to higher outside services/maintenance expenses.
- Increases in parts, meters and fittings are the largest factors in the miscellaneous expenses variance.
- The purchase of tablets to increase operational efficiencies for maintenance crews in the field and increased fleet charges account for the increase in capital outlay expenses.

Wastewater Enterprise

| WASTEWATER OPERATIONS FUND | | | | | |
|--|----------------------|-----------------------|-----------------------|--|-------------------|
| MARCH 31, 2018 | | | | | |
| | BUDGET FY 2017-18 | YTD (*) 03/31/2017 | YTD (*) 03/31/2018 | CHANGE FROM YTD 2016-17 TO YTD 2017-18 | PERCENT CHANGE |
| REVENUES: | | | | | |
| CHARGES FOR CURRENT SERVICES | 13,035,000 | 10,078,417 | 10,280,778 | 202,361 | 2.0% |
| INTEREST | 75,000 | 79,813 | 114,380 | 34,567 | 43.3% |
| OTHER REVENUES | 290,000 | 196,493 | 175,443 | (21,050) | -10.7% |
| TOTAL OPERATING REVENUE | 13,400,000 | 10,354,723 | 10,570,601 | 215,878 | 2.1% |
| EXPENSES: | | | | | |
| STAFFING | 2,333,179 | 1,519,050 | 1,550,482 | 31,432 | 2.1% |
| INTERDEPARTMENTAL SERVICES | 1,323,235 | 957,283 | 986,322 | 29,039 | 3.0% |
| ENCINA PLANT SERVICES | 3,469,456 | 2,465,980 | 2,539,272 | 73,292 | 3.0% |
| OUTSIDE SERVICES/MAINTENANCE | 750,723 | 160,949 | 159,352 | (1,597) | -1.0% |
| DEPRECIATION/REPLACEMENT | 3,650,000 | 2,716,857 | 2,737,500 | 20,643 | 0.8% |
| MISCELLANEOUS EXPENSES | 713,795 | 361,468 | 419,080 | 57,612 | 15.9% |
| CAPITAL OUTLAY | 238,261 | 3,277 | 237,666 | 234,389 | 7152.5% |
| TOTAL OPERATING EXPENSES | 12,478,649 | 8,184,864 | 8,629,674 | 444,810 | 5.4% |
| OPERATING INCOME/LOSS | 921,351 | 2,169,859 | 1,940,927 | (228,932) | -10.6% |
| (*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation. | | | | | |

Revenues



- Charges for current services are up slightly due to increases in development.
- Cash balances in the fund have increased by 17.9 percent from last year, combined with an increase in the average yield on the portfolio of 24.25 percent, have impacted interest earnings for the year.
- The decrease in other revenues is driven primarily by the engineers within the Enterprise charging less of their time to capital improvement projects.

Expenses



- For Fiscal Year 2017-18, a total of 1.1 full-time positions have been reallocated to the Wastewater Enterprise from other programs to better reflect each programs' workload.
- Additional utility billing chargebacks, miscellaneous interdepartmental charges and general liability chargebacks have led to higher interdepartmental charges.
- Encina plant services to date are a combination of actuals and an estimate of the annual Encina expense prorated monthly.
- Depreciation expenses have been increasing on an annual basis as the Enterprise acquires new equipment/infrastructure and replaces old equipment/infrastructure.
- Increases in miscellaneous expenses are primarily due to the acquisition of asset management software.
- The purchase of a new vactor truck is the primary driver in the capital outlay variance.